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SUBJECT: CODEL LARSON'S VISIT TO IRELAND

Summary  
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¶1. On September 17, CODEL Larson and Ambassador Foley met with Irish officials to discuss ways Ireland is addressing climate change and the secret to the success of the Celtic Tiger. Minister of Communications, Energy, and Natural Resources Eamon Ryan briefed the CODEL on, among other things, Ireland's efforts to meet their Kyoto Protocol commitments through the increased use of renewable energy. Sean Dorgan, the CEO of the Irish Government's Investment and Development Agency (IDA), offered his views on the reasons for Ireland's economic success over the last two decades, including the draw of low corporate tax rates. Representative Larson said that his trip to Ireland followed his participation on CODEL Pelosi to Greenland, Berlin, London and Brussels in May, to study climate change. He stressed Speaker Pelosi's strong commitment to addressing this issue, including her efforts in the U.S. Congress and her plans to attend the December climate change conference in Bali.

Minister Ryan on Renewable Energy...  
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¶2. Opening the meeting, Representative Larson noted his personal interest in the climate change issue and pointed out that House Speaker Pelosi was also extremely committed to tackling this issue through her work in the U.S. Congress and globally. Minister Ryan said that the Irish Government, too, was looking at ways to reduce emissions, mainly through advanced technology and the promotion of renewable energy. He said that wind and ocean energy were both areas in which Ireland had a natural advantage and pointed out that the country generates about five percent of its energy needs through such renewables and aims to increase that to 30 percent by 2020. Ryan said that, to him, the questions of energy security and climate change are linked and that technological advances in renewable energy could alleviate concerns on both fronts.

¶3. That said, Ryan admitted that the technology on wind and ocean energy was still not advanced enough to make them commercially viable. Given that, the government probably has a role to play in supporting research in these areas. Various members of the CODEL were interested in other sources of energy like nuclear and in fuel cell technology. Ryan said that Ireland is not only staunchly anti-nuclear but the economics of nuclear do not work in a market as small as Ireland. On fuel cells, he said that Ireland does not really have the research base to engage in this but rather takes its lead from the EU.

...And Cap-and-Trade vs. A Carbon Tax  
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¶4. In response to a question from Representative Larson about the viability of a carbon tax instead of relying on a cap-and-trade system, Minister Ryan said that governments would need every available tool to combat global warming. Ryan was upbeat on the prospects for cap-and-trade schemes like the European Trading System

(ETS) to slow the growth in emissions but stressed that what was need was a global, pan-sector deal. He agreed with Representative Larson that the problem with the ETS was the inequitable initial allocation of emissions credits to industry but noted that European leaders look as though they are moving to rectify that problem.

#### The Politics of Climate Change

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¶5. In Ryan's opinion, a carbon tax had some economic appeal but setting a carbon tax that would be high enough to be a reasonable deterrent would be difficult politically. Highlighting these difficulties, Ryan said that a recent poll in Ireland showed that 65 percent of the public have some doubt that global warming is occurring. Therefore, he is trying to move this issue out of the "political cycle" and work on cross-party support for a strategy to address the problem. Ryan said that gaining such a consensus in Ireland was relatively easier than in the U.S because of its size.

#### The Making of the Celtic Tiger

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¶6. In the IDA meeting, Representative Larson noted the large presence of U.S. multinationals in Ireland and asked how the Irish Government planned to keep overseas investment strong in the face of increasing costs and more intense global competition. Sean Dorgan, head of IDA, said that U.S. FDI played a crucial role in the boom Ireland has experienced over the last two decades. This FDI was attracted by the low corporate tax rate and the highly educated Irish workforce, among other things. Most of this investment has been in high-value added industries which are reliant on strong intellectual property protections. Going forward, Dorgan believes that if Ireland is to compete globally the Irish Government must

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continue to strongly support higher education -- especially at the graduate level and in the hard sciences -- and to improve the physical infrastructure on the island.

¶7. Responding to questions on the slowdown in the housing sector, Dorgan admitted that this would likely slow growth but that the economy would still expand this year. On the possibility of the sub-prime loan contagion reaching Ireland, he commented that Irish lending institutions do not, to his knowledge, engage in much lending of this sort. However, he is worried about the effects of a general downturn in the U.S. due to the Irish economy's strong linkages with this market.

¶8. CODEL Larson cleared on this cable.

FOLEY